

Message Text

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ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 EB-08 FRB-03
INR-07 NSAE-00 TRSE-00 OPIC-03 SP-02 CIEP-01 LAB-04
SIL-01 OMB-01 SSO-00 INRE-00 PA-01 PRS-01 USIE-00
/054 W

-----211801Z 130506 /40

O R 211720Z JAN 77

FM AMEMBASSY LISBON

TO SECSTATE WASHDC IMMEDIATE 9907

INFO USDOC WASHDC

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FOR EXPORT-IMPORT BANK, MR. LEIK

E.O. 11652: N/A

TAGS: EGEN, PO

SUBJ: CNP PETROCHEMICAL COMPLEX

REF: (A) 76 STATE 313041, (B) PASTORINO/LEIK TELECON OF JAN 18,
(C) 76 LISBON 8688

1. COMMATT HAS DISCUSSED REF SUBJECT WITH OFFICIALS OF CNP
AND MINISTRY OF INDUSTRY, AND WITH BUSINESSMEN KNOW-
LEDGEABLE ABOUT CNP PETROCHEMICAL COMPLEX.

2. EMBASSY POUCHING JUNE 1975 SPECIAL STUDY GROUP REPORT
ON OLEOFINES COMPLEX IN PORTUGAL. REPORT IS BASIS FOR 1976
DECISION TO PROCEED WITH PETROCHEMICAL COMPLEX. IT INCLUDES
DATA ON COSTS, PRODUCTION, ORIGIN OF RAW MATERIALS,
MARKETING, FOREIGN EXCHANGE REQUIREMENTS, EMPLOYMENT, INPUT-
OUTPUT MATRIX, ETC. FOR HIGH AND LOW DENSITY POLY-
ETHYLENE AND POLYPROPYLENE. CNP AND INDUSTRY MINISTRY REPORT
NO EXTENSIVE UPDATING OF INFORMATION HAS BEEN DONE. COMPANIES
BIDDING ON INDIVIDUAL PROJECTS CAN REQUEST INFORMATION FROM CNP
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ON REVISED ESTIMATES OF SPECIFIC DATA. SIMILAR INFORMATION ON
BUTADIENE PROJECT WILL BE FORWARDED SHORTLY.

3. EMBASSY ALSO POUCHING COPY OF ARTICLE QUOTING
ECKHAUS/TAYLOR REPORT ON SINES WHICH APPEARED IN COMMUNIST
DAILY "O DIARIO" ON JANUARY 13, 1976. ARTICLE TREATS
COMPLEX AS A WHOLE IN VERY GENERAL MANNER. THERE ARE NO

SPECIFIC REFERENCES TO PETROCHEMICAL COMPLEX OR
INDIVIDUAL PETROCHEMICAL PROJECTS. AUTHOR OF ARTICLE
IS PCP MEMBER OR SYMPATHIZER.

4. LATEST INFORMATION ON SCHEDULING AS FOLLOWS: HIGH
DENSITY POLYETHYLENE: BIDS WILL BE OPENED BY APRIL. AT
LEAST FIVE FIRMS EXPECTED TO MAKE BIDS, INCLUDING MITSUI,
LUMMUS AND FRENCH FIRM.

BUTADIENE PLANT: SELECTION OF SHORT LIST EXPECTED TO
BE MADE BY END OF JANUARY. THREE FIRMS PROBABLY WILL
BE LUMMUS, STONE AND WEBSTER, AND FRENCH FIRM. AWARD
EXPECTED IN MARCH.

WILL TRANSMIT SCHEDULING INFORMATION ON OTHER PROJECTS
ASAP.

5. GENERAL ELECTRIC TURBINES: AWARD EXPECTED TO BE MADE
END OF JANUARY/BEGINNING FEBRUARY. ACCORDING GE, FRANCO
TOSI (ITALIAN) HAS BID 170 MILLION BELGIAN FRANCS. GE
CHARGES THIS IS DUMPING PRICE. BBC HAS BID 200-240
MILLION BELGIAN FRANCS WHICH GE SUBMITTED BID FOR 260-
270 MILLION BELGIAN FRANCS. GE STATES IT CAN MEET BBC
BID BUT NOT TOSI. GE REPS IN U.S. WILL CONTACT EX-IM.

6. ALL CONVERSATIONS INDICATE THAT EXTERNAL MARKET
SITUATION UNCLEAR. MARKET FOR A BUTADIENE PRODUCTION
REPORTEDLY IS ASSURED. MARKETS FOR THREE POLYMERS DEPEND
TO LARGE EXTENT ON FINAL TERMS AND CONDITIONS OF
EPSI/SCF AGREEMENT. CNP OFFICIAL STATES THAT FINAL
AGREEMENT NOW NEAR AND CNP SENT TEAM TO PARIS WEEK OF
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JANUARY 10 TO WORK OUT DETAILS. OFFICIAL ADDS THAT
AGREEMENT HAS ONLY UNIMPORTANT MARKET RESTRICTIONS, I.E.
EPSI WILL NOT SELL IN JAPANESE MARKET (WHERE THEY
COULD NOT COMPETE ANYWAY), ETC. OTHER THAN WHAT SCF
WOULD UNDERTAKE TO MARKET, NOTHING ELSE IS ASSURED.
ACCORDING MININDUSTRY OFFICIAL, GOP HAS DECLARED THAT
LONG-TERM CONTRACT WITH FIXED PRICES NOT IN THEIR
INTEREST.

7. INFORMATION ON COMPETITIVENESS OF U.S. BIDDERS
PROVIDED IN REF C. RECENT TALKS AGAIN CONFIRM CNP
VERY INTERESTED IN U.S. PARTICIPATION IN PETROCHEMICAL
COMPLEX.

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/054 W

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O R 211720Z JAN 77
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FOR EXPORT-IMPORT BANK, MR. LEIK

8. EMBASSY CONVINCED PETROCHEMICAL COMPLEX REMAINS
HIGH PRIORITY OF GOP. SINES PROJECT ONE OF FEW MAJOR
PROJECTS IN ACTUAL CONSTRUCTION PHASE. REFINERY
SCHEDULED TO BE OPERATIVE BEGINNING 1978 AND EXTENSIVE
LAND PREPARATION TAKING PLACE FOR STEAM CRACKER.
CONTRACTS AND SUBCONTRACTS FOR STEAM CRACKER BEING
NEGOTIATED AND SIGNED. FINANCING HAS BEEN OBTAINED
FROM EUROPEAN INVESTMENT BANK. MOMENTUM, AT THE LEAST,
WILL CARRY COMPLEX THROUGH FIRST STAGE DOWNSTREAM
PETROCHEMICAL PLANTS. REFINERY OUTPUT, AND THEN STEAM
CRACKER OUTPUT, MUST BE UTILIZED.

9. EVEN MAJOR POLITICAL CHANGE IN PORTUGAL, WHICH IS
NOW HIGHLY UNLIKELY, ALMOST CERTAINLY WOULD NOT STOP
PROGRESS ON FIRST STAGE OF DOWNSTREAM PETROCHEMICAL
COMPLEX. EMBASSY FEELS STRONGLY THAT EM-IM RETICENCE
AT THIS TIME IN FINANCING PART OF COMPLEX WOULD BE
SEEN BY GOP AS SIGNIFICANT REDUCTION IN U.S. SUPPORT
FOR PORTUGUESE ECONOMIC DEVELOPMENT. CNP AUTHORITIES
HAVE BEEN ASKING AGAIN DURING LAST TWO WEEKS ABOUT U.S.
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INTEREST IN SINES, ESPECIALLY CNP ASPECT.

10. FOR LEIK, DONEGAN AND BECKER: TRIP REPORT EXCELLENT.
WE HAVE NO MAJOR PROBLEMS WITH ANY OF MEMOS.
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Message Attributes

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Control Number: n/a
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Sent Date: 21-Jan-1977 12:00:00 am
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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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